

# IRIDESCENT IDEAS™

Business advice with a different perspective

## Non-executive directors for social enterprises

### Adding non-executives to your board

A strong board of directors will help you grow your social enterprise and increase your social impact. Adding 'non-executive directors' to your board can help you expand the knowledge, skills and experience in your social enterprise. Non-executive directors can also play an important role in networking, governance and even in constructively challenging the executive directors.

### Definition

Non-executive directors (also called non-execs or NEDs) can provide strategic support to your organisation. Firstly, what exactly is a 'non-executive director'? This definition is useful:

*"A non-executive is a member of a company's board of directors who is not part of the executive (or day-to-day) management team. A non-executive director typically does not engage in the everyday management and operation of the business but is involved in strategy and planning."*<sup>1</sup>

### Role and payment

A non-executive director's role is to help the operational directors in driving the business forward. Non-executive directors are used widely in the private sector and can add the same level of support in the social enterprise sector.

Non-executive directors are sometimes voluntary, sometimes paid. You can decide based on how valuable you think their skills are and what you can afford to pay. You could also decide to pay their out-of-pocket expenses.

### Why have them?

Non-execs can provide skills, contacts and importantly, a fresh perspective on your work and plans. Having people who can provide a fresh perspective and an un-blinkered view on your business is extremely important. Non-execs can:

- Add new skills and knowledge to your social enterprise
- Bring new contacts to help open up opportunities
- Build your organisations credibility
- Improve ideas and planning.

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<sup>1</sup> Adapted from [Investopedia](#)

## Recruiting non-executive directors

You want to get the right people on your board. The number of non-executives is up to you. You need to consider the number of existing directors and their skills gaps and personalities. Ideally you want a well-rounded group of people with a wide range of abilities and relevant contacts. An important point is the balance between people 'fitting-in' but also getting people who can constructively challenge and won't just rubber stamp your decisions. Other things to consider include:

- Review your organisation: what gaps do you have? For example, a lack of marketing knowledge, a need for more financial acumen, etc.
- Draft a role description setting out what you want your non-executive to do
- You could draft a basic contract for your non-executive directors setting out expectations, expenses, number of meetings they are expected to attend, etc.
- Consider your recruitment plan - will you advertise or approach people?

Once you have appointed someone it is good practice to implement an induction process. An induction pack could contain key documents such as:

- Your business plan
- Constitution or governing documents
- Annual accounts and any annual or social impact reports
- Minutes of the last few board meetings.

## Company responsibilities

If you are a Community Interest Company or standard company the non-executive director will need to be appointed and Companies House notified.

## Non-executive responsibilities

Despite not being involved in the day-to-day running of the business, non-executive directors have the same legal responsibility as other directors. You should make them aware of their responsibilities as set out in company law. A non-executive director may also need to do a self-assessment tax return - they should check this with HMRC.

## Want to find out more? Contact:



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